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# Heigo social report

Reporting period: January 2021 – December 2021



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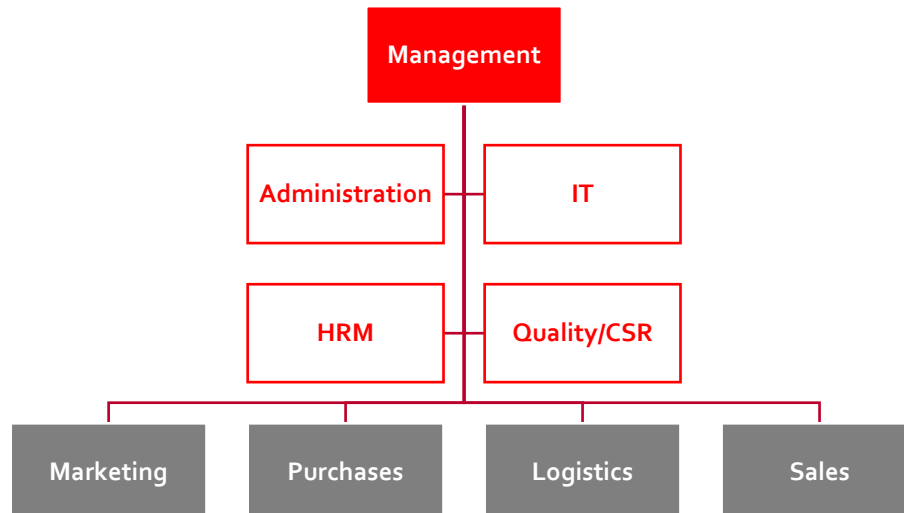


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# Heigo social report

## Organisational chart



## Summary: 2021 goals & achievements

The impact of Covid-19 on both Heigo and its Varna Confectia production site in Bulgaria was still very significant in 2021. The clothing production has been reduced to the level of 2020. As a result, Heigo and its own Varna Confectia plant have made every effort to continue production in 2021. Ongoing orders were produced as agreed and scheduled. In addition, extra stocks were produced for current and new projects. Covid materials such as mouth masks and special clothing were developed and produced to keep the employees at work. After the relatively small reorganization in 2020, where the factory had to lay off 6 employees, the factory was still able to offer sufficient work to the employees. This was the first reorganization for Varna Confectia in the past 25 years. Due to all travel restrictions, the production site in Bulgaria was visited only once in 2021. Normally these visits take place 8-10 times a year. The other production locations were not visited for this reason either. Instead of visiting these locations, however, there has been frequent contact with them regarding order and production schedules. No orders have been cancelled with them or payments were suspended.

The Fair Wear Team in our Varna Confectia factory in Bulgaria is monitoring the social compliance and is responsible for the improvements in Social Compliance in the factory. During quarterly meetings the Fair Wear Team is monitoring the Social Compliance and making steps to improve Social Compliance in the factory.

In this ongoing pandemic in 2021 we are still satisfied with the relatively small improvements we are also making in the Correction Action Plan. For 2022 a new audit will be conducted at our site in Bulgaria.

## What did we achieve more in 2021

Varna Confectia introduced in 2020 a new digital transparent evaluation-system. Particularly in last year we made a lot of progress in our production-efficiency. Sewers are now able to see real time their efficiency. A lot of manual work in administration was automatized and employees were positively motivated in doing their job. It results in an higher efficiency and commitment with a direct advantage for the workers in having a higher salary paid.

Also with these measurements we are making progress working towards paying Living Wages. In Heigo's propositions to clients we calculate more and more garments at a Living Wage level.

In this difficult period we discussed with several individual manufacturers and suppliers the Questionnaire and also the FWF Code of Labour Practices to see what progress has been made. We achieved results in terms of higher and improved commitment from manufacturers and suppliers in implementing the FWF Code of Labour Practices. We also achieved results and higher and improved commitment along our supply chain in terms of reasonable hours of work, no discrimination in employment, no exploitation of child labour, employment is freely chosen and safe and healthy working conditions. We communicated with our factory the existence of the complaints Hot-line of the FWF. Also in our own production location at Varna Confectia we achieved that there is higher and improved awareness about the FWF Code of Labour practices among the management, staff and workers. We are happy to see the developments and improvements of these steps being made in our factory in Bulgaria.

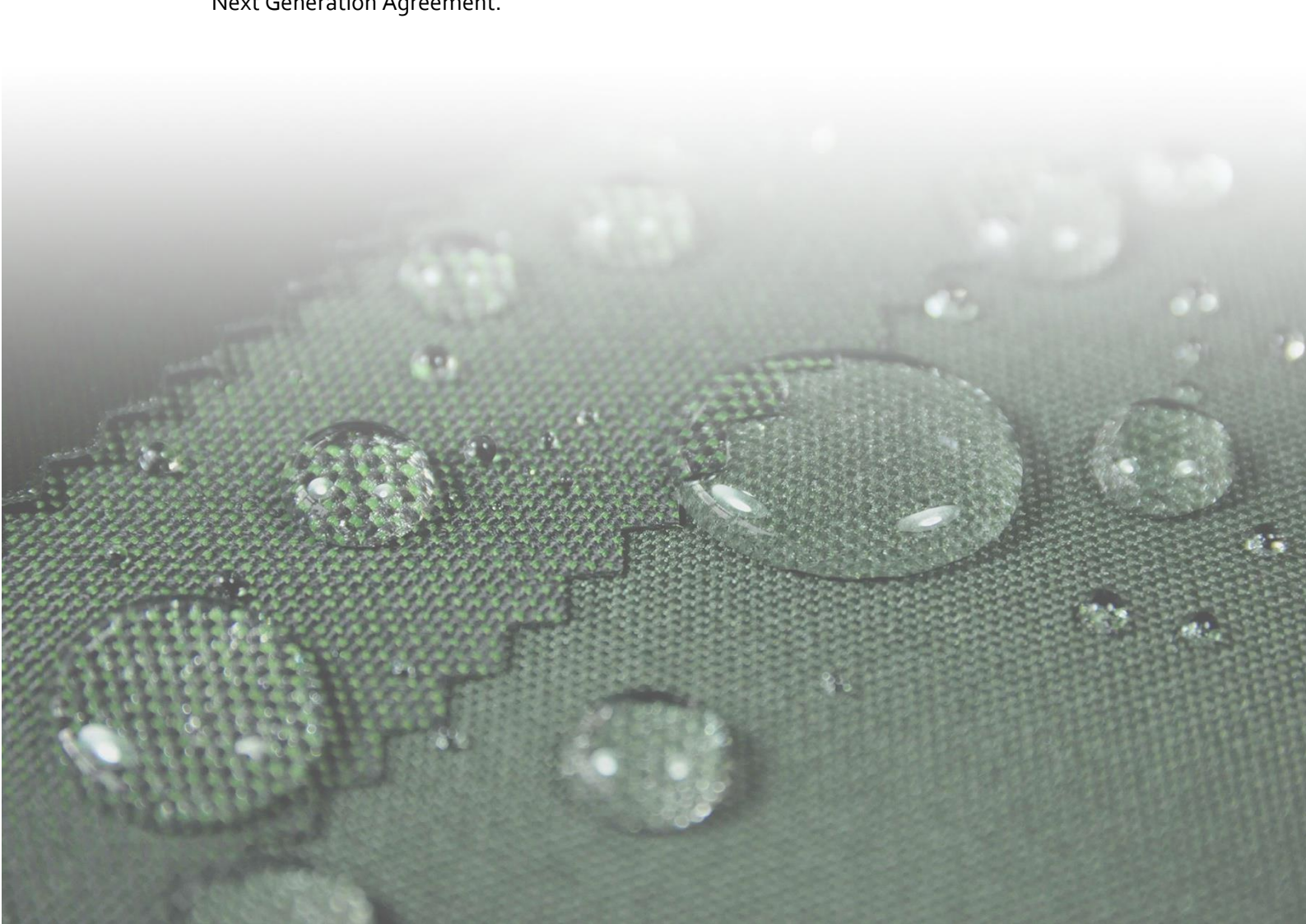
In 2021 we aimed to buy more from other FWF members and moved our sourcing from non FWF members to our own production location in Bulgaria Varna Confectia. In 2021 our purchasing department succeeded in moving our production locations from high-risk to low-risk countries.



CEO Piet Goossens statement: *"Improving labour conditions is not any longer a dream it is a strategy and durable philosophy in our company. Improving labour conditions is becoming part of our daily processes in the company and part of our daily business. Not only in Heigo but also in our factory in Bulgaria Varma Confectia. Besides this clear statement, Heigo wants to be one of the first workwear companies in The Netherlands starting and implementing a living wage project. Improving labour conditions in the organization is part of our strategy and DNA. Not only does this apply to our production site Varma Confectia but applies to our entire supply chain. Improving labour conditions is no longer a request but a requirement."*

- Circularity is part of our sustainability strategy. The market and specific the government market is asking more and more for circular workwear.
- Sustainability is part of our daily business, not only in our products and internal organization but also towards our total supply chain.

The customer/market is claiming/requires a complete and wider scope of the sustainability strategy. This need has a positive effect on our sustainability strategy. Not only the ILO (the labour part) is important but also the sustainability of the fabrics and raw materials is important. Also the circularity of clothing is becoming more and more important. The return Logistics Service Program is becoming important even as energy, waste etc. That's why we are also ISO 14001 certified besides ISO 9001. And we are also MVO-Register/FIRA certificated to measure our performance level in sustainability. We reached the Fira Silver status with an extended audit report. We are also member of MVO-Nederland and have signed the Covenant on Sustainable Garments and Textiles in 2017 and ended in 2021. This year we will join the Next Generation Agreement.



- One of our earlier achievements is that we created a Fair Wear Team in our own production in Bulgaria Varna Confectia. As explained before, we already realized more and more results and improvements on Social Compliance in our own factory in Bulgaria. In 2021 we continued with this systematic approach by monitoring our Social Compliance in the own factory in Bulgaria. The Fair Wear Team has become an important key in our Sustainability strategy.
- If we look internal in our company than we achieved much more and higher awareness about FWF and about the FWF Code of Labour Practices among our complete staff of around 55 employees.

**In 2021 we achieved the highest reward as “Leader” of the Fair Wear Foundation.** Before Covid-19 we briefed our staff about information, news and developments relating to Social compliance during our weekly lunch-meetings. In 2017 we signed the Dutch agreement on Sustainable Garments and Textiles and **in 2021 we more than met the assessment in the last year of this covenant.** If we look to our own production facility in Bulgaria Varna Confectia we worked on the Corrective Action Plan (CAP) to fulfil all the requirements and solve and improve all the remarks as mentioned in the CAP. We made efforts and achieved results to get the production in Bulgaria on the required level in terms of Social Compliance. We are proud of this because the own production in Bulgaria is the key producer/supplier in our complete supply chain.

In 2020 Heigo started to participate in a working group; wholly owned facilities for the Living Wages Incubator 2.0. In 2021 we started in our factory calculating several garments to a level of living wages. We decided to do this for specific tenders where these garments are asked for. In this way we will close the wage gap step by step in direction to the living wage level. Meanwhile we started a social dialogue with the workers about their expectations of a living wage level.



## Sourcing strategy

### SOURCING STRATEGY & PRICING

Our sourcing strategy is to focus on our own factory Varna Confectia in Bulgaria and besides this our sourcing strategy is to buy as much as possible from other FWF members. If we cannot produce the requested product in our own factory in Bulgaria, our strategy is to produce only in low risk countries, like Portugal. Our strategy resulted in moving the production from the Far East to Europe and specially to our own factory in Bulgaria and particularly low risk countries like Portugal for knitwear.

For potential new suppliers we focus on their membership of FWF. FWF members are our preferred suppliers. So besides focusing on our own factory, our strategy is to work on a long-term partnership with strategic partners which are members of the Fair Wear Foundation.

For 2021 we focused on more sustainable products especially more sustainable fabrics and raw materials. The focus is also on more suppliers within the European Union for these fabrics and raw materials. For reasons of sustainability and reducing our Footprint we are working with our suppliers of fabrics on developing more and more pre- and postconsumer recycled materials. Our focus is to develop less CO<sub>2</sub> emissions during transport, environmental circumstances on the production locations.

### PRODUCTION CYCLE

The Life-cycle of a product takes several years. This is different for each style and collection and is influenced by new developments/trends in combination with demands from the market. We developed in 2020 the Earth-Line, circular workwear which can be recycled continuous and endless.

In Varna Confectia we use a lead time between 8 – 12 weeks. At Varna Confectia the factory is already informed about orders during the development of the article/collection. Varna Confectia is involved in the development, the planning and production from the beginning and the calculation is made for the standard working hours.

### SUPPLIER RELATIONS

In 2021 we increased our business with Mascot as a relative new supplier. During the selection process, membership of FWF was very important for us. Our main goal is to produce in our own factory and choose for external producers when own production is not possible. Important topic in the selection of new suppliers was our explicit condition of membership of FWF.

In 2021, we stopped doing business with suppliers from the high-risk countries China and Turkey. In recent years, we have indicated to these suppliers that we will reduce our orders given the low order volumes. This is also part of our strategy to reduce the tail-end producers. Instead selecting new suppliers, our main focus and strategy is producing more and more garments/workwear in our own factory in Bulgaria Varna Confectia.

Heigo mapped all off its subcontractors and included them within the list of production locations disclosed to Fair Wear.

## **INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS**

- We use our evaluation-grading system to monitor our suppliers. For that reason and the the very small volume we decided to stop producing garments in high-risk countries. Our policy is to buy more and more workwear/knitwear from FWF-members. We monitored the Brand Performance Check of these companies and decided to focus on the purchase at these suppliers.
- Also our strategy is to produce more workwear in our factory in Bulgaria and to produce more knitwear in low risk countries like Portugal.



# Coherent system for monitoring and remediation

## FACTORIES

### Our factory in Bulgaria Varna Confectia:

- Bulgaria – 1 visit in 2021 to Varna Confectia visited by Piet Goossens.
- 83% of our total production is sourced from Varna Confectia
- Before the start of Covid-19 Piet Goossens visited the factory in Bulgaria. He discussed the planning and efficiency tool and the progress of the Corrective Action Plan, the code of labour practices (CoLP) and implementation and informing staff about several developments.
- Our factory Varna Confectia was audited in 2019 by the Fair Wear Foundation and will be audited again in 2022.
- Because this is our own factory other clients are not involved in corrective actions.
- The audit report and the CAP (2019) with findings of Varna Confectia are available.
- There is a CAP which we can provide as a complete overview of all the corrective actions which have been solved.

### Summary of how we follow up the CAP:

- Varna Confectia has a special team involved with the FWF Code of labour practices. This Fair Wear Team is responsible in continuous improving the social compliance of Varna Confectia. This team is responsible for the corrective action plan and responsible for the requirements/recommendations in the CAP. For example: Varna Confectia established a system to monitor and improve social compliance. The management organized a training to explain the workers about the aim and meaning of the FWF Code of Labour practices. The management established a way of effective communications with workers, through information board postings, regular meetings. Because of the pandemic it was very difficult to organise these meetings in 2021. Varna Confectia established an effective written grievance mechanism and trained the workers on how to use it. Varna Confectia informs workers about the possibility to elect worker representatives, in a management-free meeting and voting process. Varna Confectia established a transparent and detailed system how the salaries are formed and explained this system to the workers.

Varna Confectia has an official documentation from the Fire Brigade for Safety and Health circumstances in the factory.

Each worker has an individual contract with Varna Confectia with all details filed in an individual workers archive. All requirements/ recommendations in the CAP have been handled and implemented in the Varna Confectia factory.

### Factory Varna Confectia Bulgaria

In 2019, an audit was conducted by the Fair Wear Foundation. Based on this audit, a Corrective Action Plan was prepared for the social components (themes 1-8) in this audit. In 2022 a new audit will be conducted at our production-location in Bulgaria.

1. Discrimination and gender.

In 2019, it was found that there is no written policy for combating discrimination. At the production site, there is no professional performance appraisal system which could create a high risk of discrimination. In 2020, a written document is established on rules of conduct as well as a transparent evaluation system. The factory developed a grievance mechanism for workers to communicate their possible grievances. In 2021 no complaints were noticed.

2. Child labor

From the personnel administration it appears that all employees have an age of at least 18 years.

3. Employment contract

All employees in the factory have a legal employment contract.

4. Employment is freely chosen

There is no forced labour and we do not have home- working in our factory in Bulgaria.

5. Excessive overtime

No structural or excessive overtime was observed during the audit period. We changed the production planning and increased the lead-times of orders from 6 weeks to 8 - 10 weeks in general. Result of these actions is that there is nearly no need for overtime.

6. Freedom of association

All employees can associate and have the freedom to join a trade union.

7. Living wages

Employees in the factory all earn a wage above the legal minimum. The average wage including additional benefits measured across all employees is at the level of a target wage which is 60% of the average wage earned in Bulgaria. In 2021 we recalculated our cost prices of several garments against a living wage level. More and more steps are taken towards living wages.

8. Safe and healthy workplaces

Research must show whether too much dust is released into the workplace. Dust extraction systems are the first choice when it comes to preventing dust from entering the workplace, and if this is not possible then the use of respiratory protection should be advised. Safety screens should be adequately installed in areas near machinery where danger is imminent. For people who perform standing work, anti-fatigue mats are more helpful. In addition, good chairs for sedentary work are important for everyone's health. Furthermore, attention should be given to scheduling a periodic medical examination for all employees. Employees should have mutual respect for each other. In 2020 and 2021 most of these issues were solved and due to the pandemic physical and personal measures were taken to prevent contamination. Despite of all these measures we couldn't prevent the infection of several employees.

A high priority is given to Living Wage. The employees at the production site in Bulgaria work in different departments. In all departments, each employee is paid at least the minimum wage. Even during COVID-19 where fewer production orders resulted in less work, employees were paid at least the minimum wage. In addition to a basic wage, employees also receive additional rewards in the form of attendance bonus, meal vouchers and insurance. When these rewards are taken into account, employees earn on average more than the Target Wage of BGN 537. This amount is 60% of the average national wage in Bulgaria (= BGN 895). The average wage including rewards varies across departments. The benchmark for a living wage for a family of 2 adults and two children is BGN 2,239 (source: Clean Clothes Campaign).

To strengthen Living Wages, Heigo joined an Incubator 2.0 working group established by the FWF in 2020. This working group is intended for companies that own their production site and want to make work with a Living Wage project.

For monitoring our own factory in Bulgaria Varna Confectia we used the Bulgaria Country study 2019 and the MVO-Risicochecker. The country study is an effective tool and provide relevant information we used for monitoring Varna Confectia.



## EXTERNAL PRODUCTION

- In 2021 we organized online-meetings with external suppliers like Mascot, Fristads/Kansas, Tricorp, De Berkel, Greiff and Bestex. During these meetings the FWF membership has been discussed as important part of our relationship with these suppliers. Brand Performance Checks and also the related CAP's of these suppliers have been discussed during these meetings. From external production suppliers we received earlier up-to-date questionnaires and photos from the FWF Code of Labour Practices in the production facilities.

Due to Covid-19 we discussed the FWF Code of Labour Practices online during the yearly contacts with these suppliers. Important part of the yearly meetings with the external production suppliers is the social performance of these suppliers.

## Complaints handling

At Varna Confectia the complaint mechanism is explained by the Fair Wear Team in detail to the workers. Varna Confectia organized and installed an internal grievance mechanism. Varna Confectia encourages first the use of their own internal grievance mechanism. Workers are also informed to use the FWF Complaint-hotline. In 2021 no complaints were noticed.

With other manufacturers and suppliers the FWF complaint mechanism was discussed between Heigo and the management of the manufacturer / supplier.



# Training and capacity building

## ACTIVITIES TO INFORM STAFF MEMBERS

Heigo informs the management and staff members about the FWF and the developments we made with our membership of FWF.

Due to Covid-19 we mainly informed each other through online-meetings. Because of several sustainable projects, the awareness about FWF and our social compliance is rising in our sales team. Social Compliance is now part of our daily communications between the Heigo sales team and our customers.

Because of Corona we cancelled all our weekly lunch meetings in 2021 in which we informed our staff about sustainable developments and shared our experiences. Now the staff will be updated by online-meetings. Also during sales meetings with our sales team we discussed the Code of Labour practices and we informed our sales team about our FWF activities among the supply chain. For Heigo it is important that all our employees are able to inform the customers about our FWF activities and results.

It is important to pay consequent attention in informing and sharing information with colleagues during this pandemic. We will plan an internal training organized by FWF after the lock-down. It will improve our common knowledge about FWF, the code of labour practices, living wages and the FWF activities.

## ACTIVITIES TO INFORM AGENTS

Heigo works with one agent in Portugal, Carmo Saraiva. He's working for many years now for Heigo as an agent. He is well known with the FWF Code of labour practices, questionnaire and is well known with the social compliance we ask from our suppliers.

## ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

All selected manufacturers and workers are informed about the FWF Code of labour practices and normally we discuss this topic during the yearly visits. In 2021 we unfortunately only visited our own production location in Bulgaria. Normally Social compliance and Social performance is part of the yearly evaluation with the manufacturers / suppliers.

In relation to other FWF members our strategy is that every year during the evaluations we check if FWF members are still member of FWF and we discuss their FWF membership. We check the Brand Performance Check from these FWF suppliers and we discuss their progress. Social performance is part of our company-DNA. Normally we informed our management and staff members during our regular visits to Bulgaria but in 2021 we've chosen for online means to inform the management and staff.

## Information management

We follow the reports and minutes of meetings from the FWF-team in Bulgaria to see if the progress on the implementation of the Code of Labour practices is sufficient as well as the following-up of the progress on CAPs. Also during the meetings of Piet Goossens and Radostina Baleva in Bulgaria the progress is discussed with the FWF-team and the staff. All suppliers and subcontractors of our factory in Bulgaria are identified and listed in the database of Fair Wear.

## Transparency & communication

- Heigo is communicating the FWF membership in all our activities to the public in general and consumers in particular. In all our offers and European tenders we are communicating about our FWF membership. Sometimes we ask FWF for help to communicate to the market about the FWF membership if this is necessary. The competition in the market of workwear is very strong and we are very keen on situations where companies claim to be member of the Fair Wear Foundation.
- In all our brochures, website and sustainability report we mention our membership of the Fair Wear Foundation. In tenders where ILO is not mentioned very clearly we also put FWF on the agenda. In all our communications to the market our FWF- membership is part of our communication strategy. Internally we inform our staff about our FWF membership and keep our staff updated about Fair Wear's information, news and developments, e.g. the progress of living wages and increasing the safe and healthy working conditions. Also the actual Brand Performance Check and the Social report are published on our website to give 100% transparency. We use our newsletter and website to inform the public in general and customers about our FWF activities and Social compliance activities.



## Stakeholder engagement

In 2017 Heigo has signed an agreement on international responsible business conduct in the garment and textile sector. (SER Convenant duurzame kleding en textiel) The aim of this agreement is to improve working conditions, prevent pollution, and promote animal welfare in production countries. Heigo is obliged to avoid these risks under international guidelines and agreements such as the United Nations' Guiding Principles on Business and Human Rights, the OECD's Guidelines for Multinational Enterprises, and the ILO's fundamental labour standards.

Heigo was part of NEN's taskforce NTA (Nederlands Technische Afspraak) to define a formal definition of Circular Clothing and it describes the categories of circular textile products. In 2021 the board of experts of circular textiles started to develop a certification-scheme of these circular textile products.

Heigo is member of NLGreenlabel. The outdoor sustainability passports of our circular garments (label B) provide insight into the impact of materials, plants and products. With the living environment labels NLGreenlabel measures the green performance of areas, grounds and gardens.

## Corporate Social Responsibility

- Heigo has a CSR MVO-register/Fira extended report, the subscription is TIM L. This report is visible on the website of the MVO-register and shows our compliance in different areas of sustainability e.g. social return, ILO, durable energy, waste management, environmental pollution etc.
- In cooperation with our partner CLS-Tex we are producing circular workwear, this circular workwear can be recycled 100% and we can make new workwear out of it again.
- We are selling circular and sustainable shoes from suppliers Lupriflex, Cofra and EMMA Safety Footwear.
- We also monitoring our fabric suppliers for their corporate social responsibility, for example we check if the suppliers have the OekoTex STeP and respond to the REACH-legislation.

